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UNCLAS ANKARA 000605

SIPDIS

SENSITIVE

STATE FOR E, EB/IFD AND EUR/SE  
TREASURY FOR OASIA - MILLS AND LEICHTER  
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SUBJECT: UPDATE ON TURKEY'S IMF PROGRAM

REF: A. (A) ANKARA 494

[1](#)B. (B) ANKARA 458

[1](#)C. (C) ANKARA 376

[1](#)1. (SBU) IMF ResRep (protect) advised that Turkish authorities delivered late January 22 a draft Letter of Intent, along with a package of fiscal measures designed to enable the government to reach its primary surplus target of 6.5 percent of GNP. ResRep said his initial impression was that there were problems with both the draft LOI and the fiscal package, but he cautioned that he and his staff would not complete their assessment of the documents until late January 24.

[1](#)2. (SBU) ResRep said the measures in the fiscal package appear, at first glance, to be insufficient to reach the 6.5 percent primary surplus target (although ostensibly they do reach it). He noted that the Higher Planning Council, which developed these measures in a January 18 meeting, would meet again January 25 to review them. IMF staff hopes to provide feedback to the GOT prior to that meeting. (Note: Embassy does not yet have details of the fiscal package, but will obtain and report them as soon as possible. End note)

[1](#)3. (SBU) ResRep mentioned some of the other, continuing concerns that need to be addressed before the Fund can proceed with the Fourth Review:

-- resolution of Pamukbank. There still has been no progress on resolving this case, though BRSA continues to meet with the Cukurova Group (which owned the bank). IMF is concerned BRSA's resolve will weaken, given its lack of political support. (See septel)

-- the tax truce law. Parliament approved this law with numerous amendments, which addressed some but not all of the Fund's concerns about this law. One specific problem: the cut-off date to benefit from the law was moved back from end-October 2002 to end-August 2002, rather than the end-2001 date suggested by the Fund.

-- the procurement law. The law, as it currently stands, is acceptable, but the Fund worries that Parliament will push through amendments that would gut it.

[1](#)4. (SBU) Per ResRep, once Fund staff here have assessed the draft LOI and fiscal package, they will make a recommendation to headquarters on next steps. One option would be to bring out a team of fiscal experts, perhaps as early as next week. Then, if it appeared the two sides were getting close to an overall agreement, the full mission could come out, perhaps after the February 10-14 Bayram holiday.

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